

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Policy and Oversight Board

Date: 04/02/2026

Subject: 2026/27 Revenue Budget and Medium-Term Financial Strategy (MTFS)

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SUMMARY

Cabinet will present their revenue budget and Council Tax proposals to Budget Council on 25 February 2026. This report provides an update on the overall preparation and proposals for the 2026/27 revenue budget, risks, financial resilience, and the impact of those proposals.

This report also sets out the budget proposals for the services covered by this committee, and the committee is invited to comment on the budget proposals set out in detail in the appendices. Risk schedules and Equalities Impact Assessments of any budget changes are provided in the appendices alongside an update on any proposed changes in fees and charges in the budget where applicable.

This report sets out the Council's Revenue Budget for 2026/27 (including the key assumptions, details of new additional investment proposals and the efficiencies that are expected to be delivered by services). The report also provides an update on the Council's Medium Term Financial Strategy (MTFS) including the adequacy of the balances and reserves to ensure that the Council can maintain long term sustainability and maintain the strong financial governance of the resources.

The strategic operating environment for public services (including local government) remains challenging. While inflationary pressures have eased and interest rates are reducing, there are demand-led pressures in Adult Social Care, Children's Services and Homelessness. Combined with the impact of Fair Funding Review 2.0 and the reset of the Business Rates Retention System from April 2026, this Council will continue to face financial challenges in the years to come.

For the first time in many years, the government has confirmed a multi-year settlement from 2026/27 to 2028/29 alongside the funding formula reform. Hammersmith and Fulham is eligible for transitional funding relief over the three years to 2028/29.

The overall objectives of the revenue budget proposals for 2026/27 are intended to:

- continue to protect the delivery of core services valued by residents, businesses and visitors
- ensure the safety of our borough

- support prosperity across Hammersmith and Fulham
- promote an exceptional, innovative and efficient Council
- maintain strong financial governance and resilience across the Council

A balanced budget for 2026/27 is proposed (whilst protecting our reserves) including £9.5m of efficiencies. The budget will allow the continued delivery of the best services to our residents, businesses and visitors. This builds on the administration's record of prudent financial management, and delivering a modest budget surplus in the last three full financial years (from 2022/23 to 2024/25) and increasing reserves at a time when many other councils are utilising them to balance the annual budgets

The proposed increase of Council Tax by 2.99% and the additional social care precept (which equates to an increase of 92p per week for Band D properties) will generate an additional £4.4m (or 2% of the council's net budget) per annum to fund Council services. This is essential funding for the Council to ensure continuing financial resilience, protect its funding position over the medium term, meet the challenges posed by increasing demand and inflation, whilst balancing the impact on local council taxpayers.

RECOMMENDATIONS

1. That the Policy and Oversight Board considers the budget proposals and makes recommendations to Cabinet as appropriate.
2. That the Board considers the proposed changes to fees and charges and makes recommendations as appropriate.

Wards Affected: All

Our values	Summary of how this report aligns to the H&F values
Being ruthlessly financially efficient	The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2026/27 proposes savings and efficiencies across services and corporate functions that rationalise its estate and reduce its operating costs, whilst also delivering value for money from external contractors.
Creating a compassionate council	The proposals in the revenue budget for 2026/27 supports the ongoing investment in services that directly support residents in living, healthy and independent lives. This includes continuing to provide free homecare for older residents, continuing to provide comprehensive

Our values	Summary of how this report aligns to the H&F values
	Council Tax support to those eligible and increasing investment to tackle homelessness and rough sleeping.
Building shared prosperity	The budget proposals support the launch of the next phase of the industrial strategy (Upstream London) which sets a clear strategy to grow a localised economic ecosystem, with a focus on the sectors that are set to grow and that are deemed right for the local area.
Doing things with residents, not to them	The budget for 26/27 will continue investment in our Family Hubs, ensuring that every child, young person, and family is able to access the right support at the right time. The Hubs will also be developed by collaborating with children and young people and their families, family groups, the local third sector, the NHS and the council's children's services in genuine partnership.
Taking pride in H&F	The council's revenue budget will invest over £50m in public realm services. These services will provide access to safe clean, green spaces for all to enjoy, visit and live in. It will deliver improvements to highways, whilst continuing to invest in the Law Enforcement Team and regulatory services to crack down on anti-social behaviour and rogue traders.
Rising to the challenge of the climate and ecological emergency	The council has an ambitious target to become a net zero borough. To help achieve this, the budget will support work to increase engagement and investment in green energy and technologies, increase investment in its waste services, continue to keep our streets and parks clean, and take a tough stance against anyone dropping litter, creating graffiti, or dumping rubbish.

Background Papers Used in Preparing This Report

Not Applicable.

THE REVENUE BUDGET 2026/27

1. The proposals for balancing the budget for 2026/27 are included in table 1 below.

Table 1: 2026/27 Budget Summary

	(£m)
Base Budget 2025/26 (Balanced Budget)	-
Provision for Price Inflation (3.2%)	6.9
Provision for Pay Inflation (2.5%)	4.0
Essential pressures	3.2
Other Changes (concessionary fares/interest on balances/ other)	(4.9)
Reduction in LGPS employers pension contribution	(2.1)
Savings and Efficiencies	(9.5)
Resources	
Government	
Increase Central Govt Grants	(13.2)
Decrease in Business rates	30.7
Increase in Council Tax resources	(7.7)
Local	
Collection Fund – year on year reduction in surplus	3.3
Collection fund	(4.0)
CIL	(0.7)
Fair Funding - Transitional Relief	(6.0)
Budget Gap 26/27	-

Savings

2. The total proposed savings for 2026/27 are set out in Table 2.

Table 2: 2026/27 savings proposals

Department	£m
People	(4.2)
Place	(2.8)
Housing Solutions	(1.2)
Finance and Corporate Services	(0.6)
Centrally Managed Budgets	(0.7)
Subtotal Service Savings	(9.5)
Collection Fund Savings	(8.4)
Total	(17.9)

3. The savings relevant to this committee are summarised in table 3 below. The details set out in Appendix 1 to this report and as part of the Director's comments section below.

Table 3: Summary of savings relevant to this committee

Proposal	£m
Reform Local Support Payment Scheme	(0.4)
To increase NNDR and council tax summons costs by £20 per summons	(0.2)
Total savings	(0.6)

Fees and Charges

4. The Council provides an extensive range of services to local businesses and residents that are chargeable. Within this Policy and Accountability Committee, examples are environmental health licensing, food hygiene, pest control and building control.

5. Charges governed by statute are set in accordance with those requirements and not varied in accordance with inflation. Where proposed changes require consultation under statute (such as markets and street trading), this will be undertaken as necessary.

6. For non-statutory fees and charges, levied by Hammersmith & Fulham, it is recommended that for 2026/27:

- they are frozen for Adult Social Care and Children's Services in line with administration policy.
- commercial services that are charged will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the council Constitution.
- parking charges and fines are set in line with transport policy objectives and not considered as part of the budget process.
- a standard uplift of 3.8% (in line with September CPI) is applied for other non-commercial and non-parking fees.

7. For fees and charges within this Policy and Accountability Committee, it is proposed to apply the standard inflationary uplift of 3.8% on all fees and charges from April 2026, with the exception of those set out in Appendix 4.

Equalities Implications

8. Each budget proposal has been subject to an Equalities Impact Assessment (EQIA) Review. Those relevant to this Committee are attached in Appendix 3. A consolidated EQIA report will be presented to Budget Council in February 2026.

Comments of the Executive Director for Finance and Corporate Services on the 2026/27 Budget Proposals

Departmental Overview

9. Following on from the creation of the Finance and Corporate Services Department in May 2024, December 2025 saw the start of the FCS Redesign implementation. The corporate redesign considered how our services were aligned to ensure that we can better integrate and deliver more effective alignment of services to support transformation.
10. The department is responsible for a range of back-office and customer facing functions that support the strategic aims of the Council. Functions include:
 - Customer Services
 - Revenues and Benefits
 - Communications and Community Engagement
 - Registrars & Coroner's Services
 - Governance and Scrutiny
 - Electoral services
 - Legal Services
 - People and Talent
 - Finance (including Treasury Management)
 - Business Intelligence
 - Project management office
 - Chief Executives office
 - Audit, Fraud, Risk and Insurance
 - Digital Services – provision and maintenance of our IT, storage and security of our data, and transforming the way we work.
 - Procurement and Commercial

The budget information for the department in 2026-27 is set out in table 7 (section 26)

Our Vision and Strategy

11. Along with delivery of services provided directly to residents the Department's primary focus is to ensure the strong financial governance of resources to deliver the Council's key priorities and to support front line services in the delivery of exceptional services. The department will therefore continue to focus on:
 - Exceptional front-line services and back-office functions
 - Effective and efficient governance
 - Ensuring statutory duties discharged
 - The delivery of our transformation programmes
 - Ensuring we have resident focused workforce that is motivated to deliver exceptional services
 - Ensuring the protection of our data and systems from external threats

Service Objectives

12. The objectives below aim to give a sense of the range of services delivered within Finance and Corporate Services:

- Establishing a clear Medium Term Financial Strategy to ensure the Council resources are well managed, completing statutory obligations, year-end accounts and ensuring the Council's financial resilience.
- Leading the Council's transformation agenda to improve services and reduce costs including the delivery of the Council's Resident Experience and Access Programme.
- Increasing the use of data and analytics to target resources and maximise effectiveness.
- Complying with procurement rules and regulations and ensuring economic and social value through the Council's commissioning activities.
- Detecting and prosecuting instances of fraud to ensure Council Services are provided to those who need them.
- Tracking delivery of commercial activity and ensuring effective mechanisms for securing new opportunities.
- Billing, collection and recovery of Council Tax, Business Rates, Housing Benefit overpayments and sundry debts.
- Assessment and payment of Housing Benefit, Council Tax Support, free school meals, uniform grants and discretionary housing payments. Provision of accessible transport solutions e.g. Blue Badge, Freedom Pass etc.
- Provision of face-to-face resident services and the Council's corporate contact centre and Housing Repairs contact centre and the administration of parking permits.
- Coordinating and managing resident's complaints, requests for information and Ombudsman cases, and ensuring that the Council learns from these to enable service improvement.
- Delivering our Registrars, Mortuary and Coroners' Service.
- Providing governance and democratic services support to the Council and delivering Electoral Services.
- Supporting our services and workforce through People and Talent delivering HR support, recruitment, training and development, including supporting our apprenticeship and graduate schemes.
- Delivering the Communication function for the Council, ensuring our residents are well informed and the positive promotion of the Council and its work.
- Supporting Coproduction across the Council through the corporate team.
- Providing the necessary digital hardware, systems and support to all areas of the Council, leading on digital change and projects, and keeping our data safe.
- Support assurance on delivery of the Council's H&F Plan, Third Sector Investment Strategy and major projects and programmes.
- Provision of the Council's Legal Services function to make sure the authority acts lawfully, securely, and in its best interests.

Key Achievements

13. The department continues to review and challenge current service delivery models and budgets, to ensure that services are effective and efficient, and reflect the council's priorities. Some notable examples and recent successes are:

- A successful LGA Finance Peer Review in April 2025 which highlighted the council's strong financial management.
- The Council's 2024/25 final accounts have been approved with an unqualified opinion. Bucking the trend of Local Government audit backlogs spanning multiple years, LBHF has all its recent accounts signed off, completing 4 sets of accounts in the past 20 months.
- Benefits Service was awarded Most Improved team of the Year 2025 in the Institute of Revenues Rating Valuation National Performance Awards.
- Launched refreshed REAP Programme taking advantage of AI and the latest technology.
- Continued investment in digitalisation, automation technologies and cyber security.
- Establishment of AI Ethics Board and governance framework for use of artificial intelligence and leadership on AI adoption
- Successful delivery of Tech-tonic 2 programme and ongoing delivery of the Civic Campus IT programme.
- Introduction of national legislation changes to procurement services and contracts from February 2025.
- Successful delivery of the council tax support scheme supporting almost 11,000 households.

Social Inclusion Achievements

14. Through the Third Sector Investment Programme (3SIF), the Council has invested over £3.5m per year in community-based services and infrastructure, even during a sustained period of financial pressure on local government budgets. At any one time, this covers over 40 organisations delivering more than 50 services and underpins the Council's ambition to be a compassionate, inclusive authority, while also delivering financially efficient, community-led solutions to complex social challenges.
15. Since April 2022, the Council has operated a coordinated Cost-of-Living (CoL) Programme, bringing together council services, public health, housing, community safety and voluntary-sector partners to provide both immediate hardship relief and longer-term resilience support. Utilising the government's Household Support Fund and £1m of the Council's own funding, measures have helped prevent homelessness, reduce debt escalation, and support households that fell outside national eligibility thresholds but were still experiencing severe financial pressure. A notable example was the identification of, and financial support to, pensioners entitled to pension credit after the Winter Fuel Allowance was cut by government. In 2026/27 a new government Crisis and Resilience Fund will be administered by the Council to utilise £2.9m of funding to support residents.
16. As part of the Cost-of-Living strategy, the Council's own funding has been used to develop a new Financial Inclusion Strategy to address financial exclusion, poverty, problem debt and low financial resilience across the borough. This work will continue in 2026/27 with external expertise used to co-design and produce the strategy and implementation plan, with resident input shaping priorities and interventions.
17. In 2025/26 the Council has progressed its Digital Inclusion Strategy, co-produced with residents and the voluntary and community sector to make Hammersmith & Fulham a

digitally inclusive borough, where all residents can access the skills, devices, connectivity and support needed to participate fully in modern life, including work, education, healthcare and public services. Ongoing revenue budget has been allocated to ensure these outcomes are met.

Transformation Programmes

18. As well as maximising efficiency from current service budgets, the Finance and Corporate Services department is helping to mitigate the significant medium-term financial challenges faced by the council through cross cutting workstreams focused on use of property, workforce, digital and automation, and commercialisation.
 - Property workstream - Reforming how the Council manages and secures community benefit from corporate property assets. The programme aims to achieve corporate savings through comprehensive property review and transformation of assets and operating models. A key objective is to ensure the corporate (non-domestic) property portfolio is maximised in terms of its operational effectiveness, reduced operating costs and commercial return on assets.
 - Workforce - Reshaping the workforce to better meet changes in our operating environment with improved efficiency and enhanced operations across recruitment, workforce planning, and learning and development. A key component of the programme will be the proposed establishment of a Joint Venture for the delivery of agency and interim staffing services across all council departments.
 - Digital and Automation - Distinguishing H&F as a digitally progressive and inclusive Council through the digitisation of services. Specific examples include the Resident Experience & Access Programme (REAP), the Digital Inclusion Strategy, a Power Platform Automation Hub and the Council's Fraud, Recovery and Error Data Hub (FRED) programme.
 - Commercialisation - Making H&F a more commercially astute, ruthlessly financially efficient (RFE) and financially resilient Council. The workstream aims to increase income generation in existing current commercial activities, explore new income generation opportunities across directorates and provide training and development in making better commercial decisions.

Financial Performance 2024/25 and 2025/26

19. Spend across both the Finance and Corporate Services departments was kept within budget in 2024/25. It is currently projected that the outturn for 2025/26 will be within budget for the Department, although there are some pressures that will need to be resolved during 2026/27.
20. The council has been affected by a cyber security incident in a neighbouring council with shared legacy systems. We were able to successfully isolate and safeguard our network. However, it is likely there will be short and medium cost implications to be reported in the future.

Budget 2026/27

21. Finance and Corporate services are proposing a net budget before capital and corporately managed budgets of £41.2m. Within the departments there are many services which support frontline Council business. As such £29.294m of the budget is expected to be recovered as corporately controlled income (Table 7).

Table 4 – Corporate budgets 2026/27

Directorate	Expenditure £000's	Income £000's	Net £000's	Employees FTE
Digital Services	14,679	-391	14,289	100
Finance	4,736	-726	4,010	58
Revenues and Benefits	5,661	-2,292	3,370	88
Customer Services	4,608	-1,478	3,131	65
Democratic, Registrars & Coroner's Services	6,162	-3,124	3,038	39
People & Talent	2,779	-25	2,754	33
Community Investment Third Sector	3,739	-1,026	2,714	1
Legal Services	4,017	-1,424	2,594	36
Managed Services	2,258	0	2,258	0
Business Intelligence	2,263	-1,067	1,196	38
Audit, Fraud, Risk and Insurance	1,189	-36	1,153	14
Comms and Communities	1,249	-323	927	17
Corporate Services	829	0	829	6
Corporate Procurement	1,052	-350	702	13
Policy and PMO	645	-79	566	8
Members Support	375	0	375	4
Commercial Advertising	70	-2,748	-2,678	0
Total budget before capital and Corporately Managed budgets	56,311	-15,087	41,224	520

Table 5 - Subjective budgets breakdown

Directorate	2025/26 Budget (£000's)				
	Employee Spend	Contracts, Supplies & Services	Total Expenditure	Income	Total Net Budget
Digital Services	7,110	7,569	14,679	-391	14,289
Finance	4,664	72	4,736	-726	4,010
Revenues and Benefits	4,991	671	5,661	-2,292	3,370
Customer Services	3,591	1,017	4,608	-1,478	3,131
Democratic, Registrars & Coroner's Services	4,454	1,708	6,162	-3,124	3,038
People & Talent	2,337	442	2,779	-25	2,754

Community Investment Third Sector	2	3,737	3,739	-1,026	2,714
Legal Services	2,914	1,103	4,017	-1,424	2,594
Managed Services	0	2,258	2,258	0	2,258
Business Intelligence	2,263	0	2,263	-1,067	1,196
Audit, Fraud, Risk and Insurance	982	207	1,189	-36	1,153
Comms and Communities	1,217	32	1,249	-323	927
Corporate Services	828	0	829	0	829
Corporate Procurement	1,013	39	1,052	-350	702
Policy and PMO	645	0	645	-79	566
Members Support	371	4	375	0	375
Commercial Advertising	0	70	70	-2,748	-2,678
Total	37,381	18,930	56,311	-15,087	41,224

Table 6 - Movements from previous year

	Movement £000's
2025-26 Net Budget	38,790
Savings	-627
Contracts Inflation	357
Pension revaluation adjustment	-290
Centralisation of legal budgets	2,293
Revenues growth funding	450
Members LGPS changes	250
Other	2
Total movement	2,435
2026-27 Net Budget	41,224

Savings and Investments

22. There are savings proposed of £0.627m which will impact Finance and Corporate Services budgets in 2026/27 and are outlined in Appendix 1, along with a further £0.700m that will come from centrally managed budgets.
23. Contractual inflation of £0.357m on externally provided services has been allowed for in the Finance and Corporate Services budgets. A further £0.144m of inflation is be added to centrally managed budgets. The council will continue to work with contractors and suppliers to minimise any adverse impact.
24. Further movements in the budget relate to the pension revaluation which will reduce employer contributions and lead to a reduction in spend for the department of £0.290m. The centralisation of legal services budgets will reallocate budgets from People, Place and Housing into Legal Services. This change will enable Legal Services to manage

external legal commissioning more strategically, ensuring better value for money, and allow for consolidated reporting of legal spend.

25. A number of initiatives aimed at maximising the collection of income from Council Tax and Business Rates will require some additional investment. A share of the funding will come from the GLA alongside £450k of Council investment into the revenues team.
26. In anticipation of ministers agreeing to restore access to the Local Government Pension Scheme for councillors in England, £250k has been provisionally set aside to fund the costs.

Fees and Charges

27. Within Finance and Corporate Services fees and charges are made in relation the Registrars service and for the Mortuary service. A new charge is to be levied on commercial card transactions to partially recover some of the costs the Council incurs from this payment method. The department is proposing to apply the recommended Council inflationary uplift of up to 3.8% on fees and charges from April 2026, with the exception of the fees and charges set out in Appendix 4. Statutory charges which the department cannot influence, will be set according to the relevant statute. Where proposed changes require consultation under statute this will be undertaken as necessary.

List of Appendices:

Appendix 1 – Savings and Investment proposals

Appendix 2 – Service Risks

Appendix 3 - Equality Impact Assessments for Savings and Investments

Appendix 4 – Fees and Charges